

THE GRAY MARKET IN NICKEL

REPORT OF THE
SELECT COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE



SEPTEMBER 18 (legislative day, SEPTEMBER 13), 1951.—Ordered to be
printed with illustrations

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II

NICKEL GRAY MARKET

SEPTEMBER 18 (legislative day, SEPTEMBER 31), 1951.—Ordered to be printed with illustrations

Mr. MOODY, from the Select Committee on Small Business, submitted the following

REPORT

The general existence of a gray market in scarce materials has long been a matter of common knowledge.

In seeking to discharge its duties to American small business, your committee has recognized that this illegal trafficking in critical materials, coupled with a general inability to secure the needed materials of production and a lack of a substantial volume of defense orders, have constituted the chief causes of small business hardships since the beginning, in June, 1950, of our defense mobilization effort.

So that the greatest possible emphasis might be placed on removing these stumbling blocks from the path of small-business men eager to share in our national industrial program, your committee appointed a subcommittee charged with the specific responsibility of inquiring into the reasons why small plants have not been able to shoulder, on a proportionately equal basis with large corporations, the burdens of providing the military with supplies and munitions.

This subcommittee has held public hearings in Detroit, Mich., and Washington, D. C. In the relatively short period of its existence, it has provided your committee with valuable first-hand information on the procurement and related problems and needs of small manufacturers.

Because of the insistent inquiries of this subcommittee, your committee can report a successful piercing of the murky shadows which have until now protectively cloaked the sub rosa traffic in strategic metals. In turn furtive and brazen, this growing army of gray marketeers, whose sole objective is to turn a quick devious dollar, has all but cornered a sizable portion of the dwindling free supply of a dozen critically needed materials. Spawned by scarcity and nurtured by official apathy, these fly-by-night "brokers" have fattened on small-business men who have had either to pay their outrageously high prices or to close down.

As a case history in the nefarious and unchecked operation of the gray market in materials, your committee herewith presents its report on the gray market in nickel anodes.

Not the least of the many industrial uses of nickel is in electroplating. On myriad steel products for consumer use, from tooth-brush holders to dazzling automotive grillwork, nickel is an indispensable undercoating for chromium finishes.

Engaged in the plating trade are some 5,000 independent job platers who give employment to almost 40,000 workers. These shops use in a normal prosperous year from 8,000,000 to 10,000,000 pounds of nickel anodes. To these platers and their skilled employees a steady supply of nickel anodes means nothing less than the roofs over their heads and the food on their tables.

In August 1951, platers were allocated about 7.2 percent of the available supply as opposed to a 1946-49 average of 14.2 percent.

Annual average consumption of nickel in the United States during 1946 to 1949, inclusive

	Short tons	Percent
Ferrous:		
Stainless steels	15,374	19.0
Other steels	17,058	21.0
Cast iron	3,638	4.5
Nonferrous:	25,072	31.1
High-temperature and electrical resistance alloys	5,538	6.9
Electroplating anodes	11,385	14.2
Electroplating solutions	570	.7
Catalysts	451	.6
Ceramics	180	.2
Others	2,840	1.8
Total	82,106	100.0

In nickel, as well as in such other strategic materials as tin, cobalt, natural rubber and manganese, the United States is a "have not" Nation. Domestic production of nickel is small, amounting to a mere 1,581,000 pounds of primary metal in a typical post World War II year. The bulk of the world's supply comes from the rich nickel-bearing-ore deposits of the Sudbury district in northern Ontario, which yields 75 percent of all the nickel produced throughout the world.

The pattern of domestic nickel distribution is clean-cut. The International Nickel Co., drawing from Sudbury nickel deposits, supplies almost 100 percent of all nickel used in this country. Nickel, and the nickel salts essential to the plating industry, follow the simple pattern from the major producer, International, to six major supply houses which sometimes ship directly to platers but more frequently distribute through established jobbers.

This was the nickel-distribution picture until Korea.

THE ENDLESS CHAIN

Your committee has been shocked to learn that—

This simple three-step pattern of nickel-anode distribution has crumbled under the pressure of war-born scarcity;

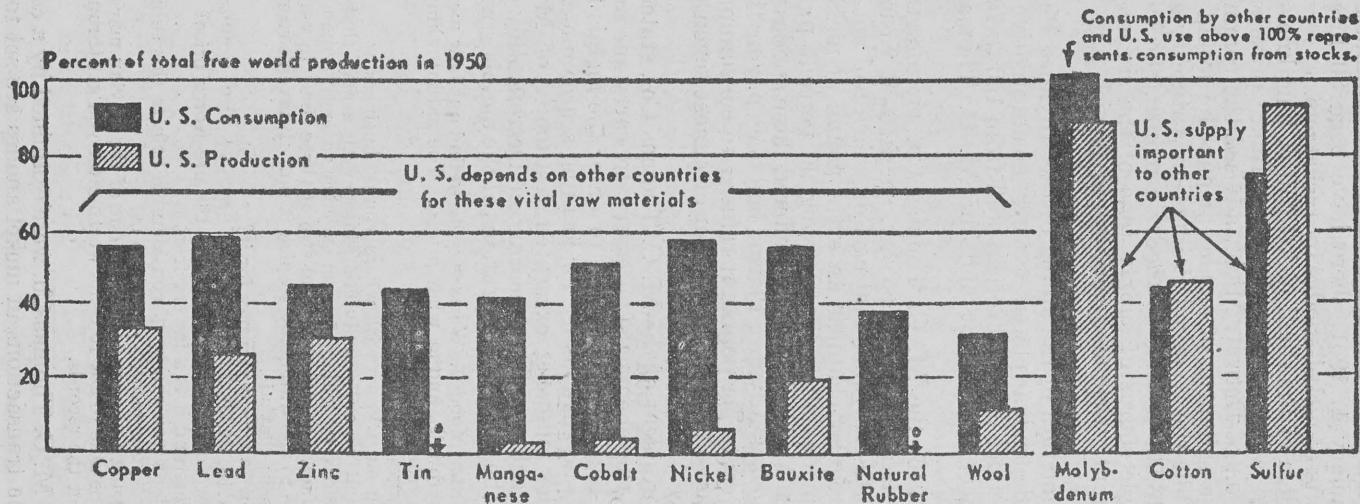
Nickel anodes have been priced beyond the reach of small-business men;

Self-styled brokers, many of whom never saw a nickel anode until a few months ago, with no more than a telephone by way of business equipment, and many of whom would, in the words of legitimate metal dealers, "handle a dead cat," have all but taken over control of a substantial portion of those anodes not

actually pinned down for specific uses by defense priority ratings; A chief means of intercommunication among these twilight-zone brokers is the advertising columns of the New York Journal of Commerce; and,

The U.S. and the rest of free world depend on each other for vital raw materials

Percent of total free world production in 1950



That the value of nickel anodes has enhanced to the point where reports from the Chicago area to your committee indicate that since January 1, 1951, there have been 30 hijackings or warehouse thefts of nickel anodes by racketeers.

This entire problem of the small nickel plater, long known to your committee, reached a head when Bernard Baur, president of the Advance Plating Co., of Detroit, Mich., advised the committee that unless he received a shipment of anodes at once he would be forced to close down. While the National Production Authority authorized him to use up to 13,500 pounds of anodes a month, the Udylyte Co. of Detroit, his single source of supply (one of the six major nickel suppliers in the country) claimed they could furnish him but 2,000 pounds a month.¹

At this critical juncture in the affairs of the Advance Plating Co., one of the major independent platers serving the automotive industry, which had had to reduce its post-Korean staff from 150 to 70 workers, contact was made between Baur and the M. C. Thomas Co., of Norwalk, Conn.

Established in 1946, the M. C. Thomas Co. manufactures such commercial maintenance supplies as wax, soaps, and various detergents. It offered to the Advance Plating Co., which had not been able to secure through regular channels an extra pound of nickel, 49,000 pounds of nickel anodes allegedly assaying 99 percent pure nickel.

The price at which M. C. Thomas Co. offered these anodes was \$4.50 per pound. Inasmuch as Advance Plating had been paying the regular market price of 67 cents per pound, it refused to consummate a deal whereby it would have to pay a premium of almost seven times the current market price.

M. C. Thomas, president of the M. C. Thomas Co., stated that an inability to secure the chemicals necessary to carry on his normal detergent business had prompted him to enter the metals field as a broker or "finder," and that his fee for locating scarce metals was 10 or 12 percent. The following excerpted testimony of Mr. M. C. Thomas before the subcommittee hearing in Detroit, July 16, 1951, threw a preliminary beam on the operations of the metals gray market:

The CHAIRMAN (Senator Moody). We are trying to find out how metal is moving in the country, where it is, and at what prices. The hardest thing is to find out where it is coming from.

Mr. THOMAS. An endless chain.

The CHAIRMAN. You must know with whom you do business.

Mr. THOMAS. Yes; but we are usually confronted with a man that acts as an agent for somebody, and very seldom do you ever get to see the man that really has the material. In fact, I bought material two or three times in various places and my truck has gone to the warehouse to pick it up. I haven't seen anybody. Pay for it with spot cash; that's it.

The CHAIRMAN. How much do you pay for it?

Mr. THOMAS. \$4, \$4.10, \$4.20, \$4.50.

The CHAIRMAN. How does that compare with the pre-Korea price?

Mr. THOMAS. I understand it is a far cry from it.

The CHAIRMAN. I think you can be of considerable help to this subcommittee, Mr. Thomas, in making your records known to us.

Mr. THOMAS. I'm going to put myself right out of the buying market in New York because I won't be able to get 10 cents worth after you get through with it; but I'll see that you get the records.

The books of the M. C. Thomas Co. were examined by a committee investigator and the transactions in nickel anodes are set forth herewith:

¹ Following the public hearings of your committee's subcommittee in Detroit, Udylyte advised Baur his July allotment would be 4,900 pounds of anodes.

Transactions of the M. C. Thomas Co., of Norwalk, Conn., in nickel anodes

Date	Purchased from—	Quantity (pounds)	Price per pound	Sold to—	Date	Invoice No.	Price per pound	Total invoice
June 4, 1951	Republic Chemical Corp.-----	200	\$3. 50	General Electric, Erie-----	June 2, 1951	2856	\$3. 95	\$790. 00
June 18, 1951	Kurt A. Baer Co., Inc.-----	519	3. 95	General Electric, Bridgeport-----	June 18, 1951	2884	4. 50	2, 335. 00
June 22, 1951	J. B. Toobert Co. ¹ -----	1, 020	3. 90	do-----	June 21, 1951	2898	4. 50	4, 590. 00
June 27, 1951	Brass Craft Manufacturing Co.-----	5, 500	4. 15	do-----	June 27, 1951	2916	4. 50	24, 750. 00
July 3, 1951	Kurt A. Baer Co., Inc.-----	379	3. 95	do-----	July 2, 1951	2935	4. 50	11, 592. 00
	J. B. Toobert Co. ¹ -----	1, 018	4. 00					
	Iritox-Chemical Co.-----	1, 179	4. 15					
	Torre Products Co.-----	(2)	(2)					
July 6, 1951	Hero Metal Co. ¹ -----	1, 000	4. 00	do-----	July 6, 1951	2939	4. 50	4, 500. 00
July 10, 1951	do. ¹ -----	165	3. 75	do-----	July 10, 1951	2942	4. 50	742. 50
July 12, 1951	Kurt A. Baer Co., Inc.-----	4, 257	4. 00	do-----	July 11, 1951	2945	4. 50	21, 600. 00
July 13, 1951	J. B. Toobert Co. ¹ -----	946	4. 00	Advance Plating Co.-----	July 13, 1951	2954	4. 50	513. 00

¹ Refused to furnish invoices to M. C. Thomas Co. Checks issued and cash paid on delivery.

² Commission for finding \$212.85.

The subcommittee promptly took advantage of the investigative vista afforded by the subpoenaed records of the M. C. Thomas Co. It is to be noted that between June 2, 1951, when the first nickel invoice was executed by the Thomas Co., and July 13, 1951, presumably the terminal date of its activities in nickel, eight of the nine nickel transactions of this concern had been with the General Electric Co., and seven of these deals had been consummated with General Electric of Bridgeport, Conn.² Aside from the obvious conclusion that this great manufacturing company was in a position to pay \$4.50 a pound for nickel anodes at a time when many small platers were defaulting on defense contracts and teetering on the verge of bankruptcy for lack of a single anode to dip into their tanks it is interesting to note that General Electric was plating sandwich grilles and flat irons with the Thomas-procured anodes.

The books of the M. C. Thomas Co. were checked to ascertain the suppliers of nickel to the Thomas Co. This company had been supplied by six firms (see chart) at prices varying from \$3.50 to \$4.15 per pound.

Checks were made of the books of the six companies which had furnished the nickel to Thomas to ascertain where they, in turn, had acquired the metal. The suppliers of these 6 companies consisted of 29 additional firms and individuals. Three of the companies which had directly supplied the Thomas Co. also showed up again as sources for other suppliers to Thomas.

Since it was not feasible to check every one of these and then in turn their list of suppliers, four of them were selected for further investigation. These were selected on the basis of (1) amount furnished, (2) number of dealings in nickel, (3) geographical availability, and (4) type of business.

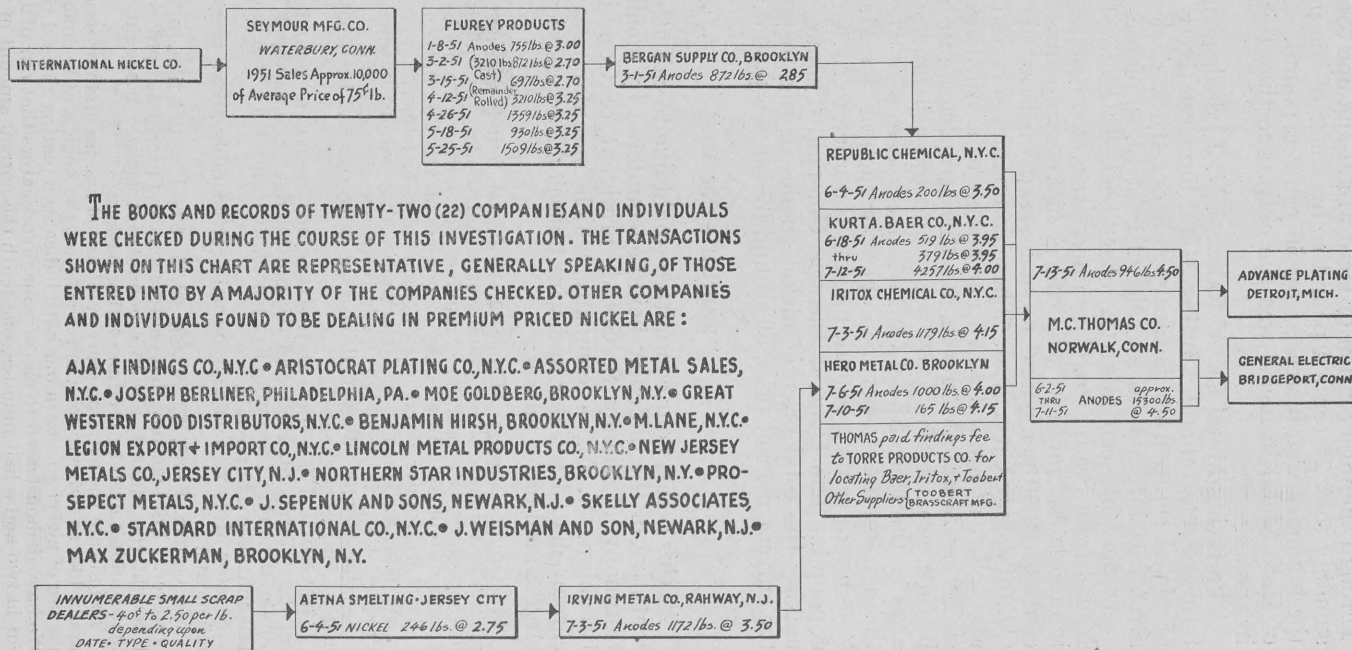
The same process was used in determining which of their suppliers to check. This procedure was retraced to the source of the nickel. In many cases it was not possible to trace specific shipments. The varied transactions and accompanying price increases, however, are adequately shown. Limitations of time, funds, and staff compelled the subcommittee to select for study only the most flagrant examples of the effect of the gray market on small business.

A typical transaction illustrating the so-called "daisy chain" in scarce materials distribution was that by which the Hero Metal Co. of Brooklyn, N. Y., whose president is Rocco Quagliara, supplied M. C. Thomas with nickel anodes. Hero Metal Co. does a small business in the manufacture of type metal for printers. According to Quagliara's testimony before the subcommittee, he was approached by one Joe Mancuso, whose calling card shows affiliation with the Bridgeport Press Steel Co., of Bridgeport, Conn. Upon learning of the desire of Joe Mancuso to secure nickel anodes for the M. C. Thomas Co., Quagliara and one of his employees, Peter Gerardi, contacted the Irving Metal Co., of Rahway, N. J. Through its president, Irving Reichenthal, a deal was made whereby Irving Metals sold to Hero Metal 1,172 pounds of anodes at \$3.50 per pound, which were delivered to the M. C. Thomas Co., in Norwalk, Conn., at \$3.75 per pound.

² For other General Electric purchases of premium-priced nickel, see exhibit A.

FLOW OF PREMIUM PRICED NICKEL

from source to consumer...



No invoice was given for this sale and cash was paid for the anodes. Through the intervention of Hero Metal and Joe Mancuso, who presumably took 25 cents a pound as his share of the profit, the cost of these anodes was increased by 50 cents a pound. This transaction of Hero Metal in nickel was the only time that this company dealt in anodes.

The Irving Metal Co. of Rahway, N. J., deals generally in various forms of scrap metal. Irving Metal buys relatively small quantities of nickel scrap from pushcart and one-truck dealers, and has this scrap cast into anodes for sale, ultimately, to platers.

As may be seen from the chart headed "Flow of Premium Price Nickel from Source to Consumer," the chain sometimes starts with innumerable "junkies" who collect nickel scrap and sell it for from 40 cents to \$2.50 per pound to such scrap yards as the Aetna Smelting Co., of Jersey City, N. J. These companies sort and grade the scrap and sell it at around \$2.75 per pound to a still larger operator such as Irving Metal Co. which has this scrap cast into anodes. These, in turn, are sold for \$3.50 per pound to such functionless intermediaries as the Hero Metal Co., which disposes of it at \$3.75 per pound through another in-between operator such as Joe Mancuso, who collects his 25 cents a pound, making the price to M. C. Thomas Co. \$4 a pound. The General Electric Co. paid Thomas \$4.50 a pound, making the total price of nickel anodes in this instance seven times the current market price of around 67 cents a pound.

"BENNIE SENT ME"

At this point, your committee would like to call attention, as representative of the difficulty being encountered by small platers, to the testimony of Sidney S. Gould, president of Combined Industries, Brooklyn, N. Y., a company which manufactures and fabricates chrome-plated tubular and wire household accessories for two of the largest mail-order houses:

Mr. GOULD. During August of 1950, we found that even our practically minute and infinitesimal amount of nickel anodes was unobtainable. We were in the unfortunate position of buying nickel through a jobber from one of the primary suppliers. In this case, Seymour Metals Co., in Seymour, Conn.

Senator MOODY. What was the name of your jobber?

Mr. GOULD. The name of the jobber that we did business with was Florey Products Corp. in Brooklyn, a relatively new organization.

Senator MOODY. What had been the price you had been paying in the normal market for nickel anodes?

Mr. GOULD. Fifty-nine and sixty-three cents a pound * * * I say between March 20, 1950, and the present date, the anodes I have been able to obtain at market price were five pieces, 24 inches long, weighing a total of about 140 and some odd pounds.

Senator MOODY. You say you paid considerably above market price for other shipments?

Mr. GOULD. \$1.85, \$2, \$2.50, \$2.75, \$3—I would like to qualify the price, however. I did not pay these outrageous and exorbitant prices for nickel anodes. I bought the rankest, absolute nondescript scrap. I bought the kind of scrap that couldn't even be used in plating baskets * * *.

To indicate the extreme scarcity of nickel anodes and our precarious position, I would like to indicate for the record that the book and technical instructions for the use of nickel anodes in our bath indicates a plating elapsed time of 20 minutes. We have demonstrated to one of your investigators that our plating cycle has been cut in two and a half minutes, one-tenth the normal amount of time. * * *

The prices that I indicated that we paid ranged from \$1.85 in the very beginning of the shortage to \$3 a pound more recently, and this is, again—forgive my description—scrap scrap. * * *

What you have inquired about in nickel anodes, gentlemen, is only superficial, because much deeper than that are the nickel chemicals which are made from nickel. Nickel sulfate, market price, between 17.25 and 20 cents, I pay \$1 a pound. * * *

Senator MOODY. Did you get this nickel from the Flurey Products?

Mr. GOULD. I did. I paid \$1.75 for nickel chloride, market price, 32 cents. * * *

Senator GILLETTE. I understood you to say that at one point the supply of this type of nickel was turned off like turning off a light?

Mr. GOULD. That is correct.

Senator GILLETTE. When was that?

Mr. GOULD. July, August, of 1950—between July and August of 1950.

Senator GILLETTE. Suddenly the supply of nickel of this type of nickel on the market disappeared?

Mr. GOULD. It more than disappeared. It completely evaporated. You practically had to open a peep hole and say "Bennie sent me." I am not being facetious. That is a fact.

Your committee would also like to invite attention to the following letter received from the National Plating Co., of Chicago, which is indicative of the general plight confronting small job platers today as a result both of the scarcity of nickel and the run-away prices which are being demanded for what little is available on the gray market.

NATIONAL PLATING Co.,
Chicago 6, Ill., August 28, 1951.

SENATE SMALL BUSINESS COMMITTEE,
Washington, D. C.

GENTLEMEN: I would like to point out that we small job platers are in immediate danger of being forced out of business at a time when we have been led to believe that our services to the Nation are vital.

We are informed that the NPA has permitted the distribution of over 1,300,000 pounds of nickel for August to the plating industry which, if divided equally to the some 5,000 plating plants in the United States, would give each approximately 260 pounds. We received for July 40 pounds. Allowing for shops that have closed, etc., the average per shop should be much higher.

We lost on operations in July \$3,600 and in August we are losing money at the rate of \$6,000 for the month, due to trying to hold our labor force in the face of curtailed supplies and lack of defense orders in volume. Unless relief in defense orders or material to produce civilian goods is forthcoming soon, we and many other small plating plants are in jeopardy of survival. * * *

Sincerely,

W. ZINN.

"A BAD STATE OF CONFUSION"

Major legitimate distributors of nickel anodes, such as the Seymour Manufacturing Co., of Waterbury, Conn., obtain nickel ingots from the International Nickel Co., which they cast into anodes. The customary pattern of anode distribution is for large lots to be shipped directly to customers, but to send relatively small poundages through established jobbers who handle the metal for a 5-percent commission. In the New York area, Seymour has three such distributors, one of which is Flurey Products Corp., of Brooklyn. Seymour officials testified that they have a verbal agreement with all jobbers that in handling their nickel they will abide strictly by Government regulations governing the end use and price of the metal. The distributors had also agreed to furnish their regular customers on an allotment basis dependent upon what they in turn received from Seymour.

The distributor relationship of Flurey Products with Seymour was somewhat unusual on two counts: First, Flurey was one of the most recent distributors to join the ranks of Seymour outlets. Second, Flurey had received about twice as much nickel in two recent months as it had in the 6 months immediately preceding that 60-day period, by reason that they had been supplying a subsidiary of Seymour Co. with hard-to-get nickel salts.³ Because of the frequency with which the name of Flurey Products Corp. occurred in the subcommittee's study of this matter, efforts were made to serve subpoenas on the two principals, Benjamin S. Flug and Robert Corey. The subcommittee was interested specifically in asking Flug and Corey the names of the companies which they had been supplying with anodes, the prices they had charged for those anodes, why they had failed to give one account, namely, that of Combined Industries, anodes in the amount of 50 percent of Combined Industries' base period, which would be half of 1,717 pounds, and what relationship to Flurey Products Corp. was the Bergan Supply Co., of Brooklyn, N. Y.

For 2 weeks, Flug and Corey evaded service of subpoena. When they did appear before the subcommittee on August 28, their joint reply to every substantive question regarding their transactions in nickel anodes was: "I refuse to answer on the grounds that it might tend to incriminate me."

"My counsel advises me that we might have committed a crime," Mr. Corey stated, "and that scares me."

Both of these operators said that they were "in a bad state of confusion about what was legal and what was not legal."

No information was forthcoming regarding the previous testimony of Sidney S. Gould, of Combined Industries, alleging that Flurey Products had charged him as much as \$2.75 a pound for scrap nickel which has a price ceiling of about 40 cents per pound.

Despite the recalcitrance of Flug and Corey to shed any light whatever on their nickel transactions, the subcommittee's investigation disclosed ample evidence that approximately 80 percent of the anodes passing through Flurey Products had been channeled through the Bergan Supply Co., of Brooklyn, N. Y., of which Adrian Roman is a principal partner.

The subcommittee's study disclosed ample evidence that the Bergan Supply Co., established in October of 1950, served as a blind for the Flurey Products Corp. with two chief ends in view: First, to make possible the sale of both used and primary anodes at higher than their ceiling price established under the general ceiling price regulation of the OPS; and, second, to vend anodes to customers of Flurey's at inflated prices without these customers realizing that they were actually being peddled their rightful allotment of anodes from Flurey (which denied having any anodes) at the gray-market prices.

Adrian Roman's testimony before your subcommittee followed the pattern of that of Flug and Corey: To every major substantive question bearing upon his relationship to Flurey Products Corp., he answered: "I refuse to answer on the grounds that it might tend to incriminate me."

³ One order for 3,515 pounds of anodes Flurey placed with Seymour was stamped by Seymour "DO." A. G. Wentworth, sales manager of Seymour Manufacturing Corp., testified that the assignment of a priority rating to this substantial order for Flurey had been a "clerical error."

Thus, once again, there has been demonstrated a gray-market chain along the various links of which the price of nickel anodes rose out of all proportion to their actual cash market value.

Before attempting to draw conclusions from the mass of testimony in the possession of your committee, it seems desirable to reveal yet another sordid chapter in the study of current commercial practices in the field of metal procurement, a chapter which underscores the undeniable fact that today the commonplace nickel anode has become an object of rarity to the extent where its profit possibilities have attracted the attention of the underworld.

On August 22, Edmond Barbera, of the Iritox Chemical Co. of New York City, testified that in early August his company had been asked to finance a purchase of 3,544 pounds of nickel anodes for a 3-percent brokerage charge. The anodes were paid for by Mr. Barbera with a certified check in the amount of \$12,581.20, which brought the price of the anodes to \$3.50. The check was given jointly to Flug and Corey of Flurey Products Co.

Mr. BARBERA. They ran off to the bank to deposit it, but they ran very, very fast because it was 10 to 3.

Senator MOODY. Did they get to the bank by 3 o'clock?

Mr. BARBERA. Yes, sir.

Senator MOODY. And cashed your check?

Mr. BARBERA. Yes. I tried to stop it the following day when I heard of the robbery, because I surmised they might have had something to do with the robbery, because there was no one else that I could think of except they who might steal it, or the truckman.

Having thus paid for the anodes, Mr. Barbera accompanied them in a truck, which he testified was recommended by Flug and Corey, to the International Testing Laboratories of Newark, N. J., to be assayed and weighed. That was the last Mr. Barbera has seen of his anodes or of the truck driver. The next day he inserted the following advertisement in the New York Journal of Commerce:

STOLEN

NICKEL ANODES

2,020 lbs. 30" lgts. 1,524 lbs. 24" lgts.

Manufactured by Seymour Nickel Co.
and bearing their stamp

Stolen on Aug. 12th from International Testing Laboratories
Newark, N. J.

Please refer any suspicious offerings to

IRITOX CHEMICAL Co.

62 West 46th St., N. Y. C.

Columbus 5-6327

To the best of the committee's knowledge, Mr. Barbera has yet to recover his anodes or to locate the light green, 1½-ton truck using license plates stolen from a musical instrument dealer's truck. It is known, however, that within 48 hours after the anodes were stolen from the premises of the International Testing Laboratories, that an identical number of anodes of the same size and shape as those which disappeared was surreptitiously offered for sale in the New York area.

PRICE REGULATION FUZZY

While the demands of our industrial mobilization program have undeniably placed nickel in extremely short supply, and thus almost inevitably opened the door to abuses in its distribution, it is also an unquestionable fact that the fuzziness of OPS's price control regulation has placed a welcome mat before those who have a mind to profit by circumventing Government price ceilings. Many a truck load of anodes has been driven through the loophole in Ceiling Price Regulation No. 29.

CPR 29 establishes a ceiling price on nickel scrap of 40½ cents per pound. To escape the application of this regulation, it is necessary only to cast the scrap into anode form. It then is governed by Ceiling Price Regulation No. 30, which allows it to be sold at the highest price at which nickel anodes were sold by the particular dealer during the base period. It seems strange that nickel scrap in one form can be sold at no more than 40½ cents per pound, but if the form is changed it can then be sold at a legal price of \$4.50 or more. The fact that metal dealers were soon to find this loophole is evidenced by the following extract from a transcript of the hearings on this problem:

Mr. LONG. First, in reference to the OPS regulation, is this basically the way you interpret the regulation, Mr. Reichenenthal, that it applies to scrap in the form of shavings, and so forth?

Mr. REICHENTHAL. That is right.

Mr. LONG. But if you take that scrap metal, cast into an anode form, the regulation no longer applies to that anode cast from scrap.

Mr. REICHENTHAL. Well, we were told, or rather I do not want to say that I interpreted the law, that on anodes that was our own free price. In other words, as of between December and January, if I have charged nickel anodes at three and a half I am still permitted to charge for anodes, but as far as scrap, that is out.

Mr. LONG. It made no difference that this was an anode that had come from scrap material rather than a primary anode?

Mr. REICHENTHAL. That is the way we interpreted it.

Mr. LONG. Did it not seem strange to you that the regulation would cover scrap when it was in one form and would not cover scrap when in another form?

Mr. REICHENTHAL. Well, it sounded kind of, I would not say foolish, but that was the law. That is the way we understood it and that is the way we were told.

Senator MOODY. Who told you that?

Mr. REICHENTHAL. We were told by several metal men when we had a few meetings and we wanted to know what should we do. And, furthermore, this particular metal, these particular anodes, were made from this scrap that I have bought before, which I have paid as high as three, three-ten, maybe two-eighty-five on an average.

It is especially unfortunate, insofar as nickel is concerned, that the base period which determines the price was December 19, 1950, to January 25, 1951, inclusive. Nickel was in very short supply during this period and was then selling at premium prices. The effect of the general ceiling price regulation, in respect to nickel, was to legalize this premium price. However, the majority of the metal dealers were not content with the astronomical profits that could legally be made under these regulations. There was found to be general noncompliance with the existing OPS regulations in the nickel field. Many of the individuals and firms had not compiled a price chart, as they were required to do; many did not know what their ceiling price was, and some even said that the regulations were so complicated that they had made no attempt to interpret them.

CONCLUSIONS

The following conclusions regarding the supply of nickel and its distribution and of the effects of such distribution on small business are believed by your committee to warrant the most serious consideration by all those concerned with the direction of our mobilization program:

1. There is an undeniable shortage of nickel, the burden of which is borne disproportionately by small users.

2. Established distributors of nickel, such as the Seymour Co., have loose understandings with their jobbers that all users of nickel shall receive an equitable share of available supplies, and that this generally is construed to mean 50 percent of any user's base-period allotment.

3. These "gentlemen" agreements are not strictly enforced. The record shows that small-business men who appeal to the major distributors for more equitable treatment are often referred back for relief to the very jobbers who are withholding from them their rightful share of nickel.

4. This withheld portion of nickel, in the case of anodes for plating, is diverted into the gray market and priced out of reach of the small users.

5. In lieu of anodes, some small platers have been sold inferior grades of nickel scrap at five times the market price.

6. Prime anodes have been slipping out of the distribution back door and into the "daisy chain" at successively higher prices until they are offered to large corporations, which are able to pay premium prices, or these off-color anodes are offered to desperate small-business men whose only alternative to bankruptcy is to avail themselves of this under-the-counter merchandise.

In the opinion of your committee these practices reflect credit on no one concerned. From the standpoint of those who divert the metal into the gray market, it is a vicious and amoral system of profiteering which no leniency can condone.

Finally, your committee is of the opinion that the executive agencies of jurisdiction, namely, the Office of Price Stabilization, the National Production Authority, the Department of Justice, and the Bureau of Internal Revenue, should lose no time in taking vigorous action, wherever such action is reasonably indicated, against any persons or companies which have contributed to the metal-pricing abuses set forth in this report.

EXHIBIT A

GENERAL ELECTRIC Co.,
SMALL APPLIANCE DIVISION,
Bridgeport 2, Conn., August 28, 1951.

Hon. BLAIR MOODY,
*Chairman, Subcommittee, Senate Select Committee on Small Business,
Senate Office Building, Washington, D. C.*

DEAR SENATOR MOODY: You may recall I appeared before your committee on the morning of August 21, 1951, after having been summoned hurriedly from vacation to testify regarding nickel-anode transactions between M. C. Thomas Co., of Norwalk, Conn., and the small appliance division of General Electric Co. * * * Accordingly, it was only after returning from vacation and having an opportunity to review our records that I discovered how faulty had been my recollection and unintentionally incomplete was the testimony.

The portion of the testimony to which I refer states that our division of the company had only one 10,000-pound purchase of nickel anodes from the M. C. Thomas Co., at the \$4.50 price, and that we made no other anode purchases except from the mill suppliers at the lower mill prices. The records available to me, however, disclose that operating departments of our division in fact received deliveries of 15,861 pounds of nickel anodes from M. C. Thomas Co. during June and July 1951 at a \$4.50 jobber price, our Bridgeport plant receiving 10,755 pounds and our Ontario, Calif., plant receiving 5,106 pounds. On May 15, 1951, we also placed an order for nickel anodes at \$4.50 per pound with Sabin Metal Corp., New York, N. Y. Deliveries under this order were made during June and July 1951 and totaled 11,065 pounds; 1,915 pounds being shipped to Bridgeport and the balance to our Allentown, Pa., and Ontario plants. In addition, reports which I received from our individual plants, after my appearance before your committee, show that other vendors supplied us with anodes as follows:

Vendor	Amount (pounds)	Price	Plant	Delivered in—
DeSai Plating Works, Pottstown, Pa.-----	3,460	\$3.60	Ontario-----	January.
Berg Metal Corp., Los Angeles, Calif.-----	3,000	3.60	do-----	February.
Alex Novack & Son, Los Angeles, Calif.-----	915	2.85	do-----	February and March.
New Jersey Metals, Elizabeth, N. J.-----	12,696	3.00	do-----	April, May, and June.
Consolidated Buff Co., Los Angeles, Calif.-----	125	3.75	do-----	May.
Har-Lin International, Inc., Bridgeport, Conn.-----	141	4.10	Bridgeport-----	June.
	143	4.35	do-----	Do.

I am indeed sorry my recollection was so imperfect and that circumstances prevented me from securing the foregoing information from our different plants and familiarizing myself with the information in our Bridgeport records prior to my appearance on August 21, 1951. I am entirely willing to further assist you or your committee by supplying, in affidavit form or otherwise, any additional particulars regarding these nickel purchases if you wish me to do so.

The details of our aluminum transaction with Lapides Metal Corp., for which you asked during the hearing, will be forwarded in the very near future. I did not want to delay this information until that data was completed.

Very truly yours,

GEORGE A. WILLIAMS,
Material Manager.

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